

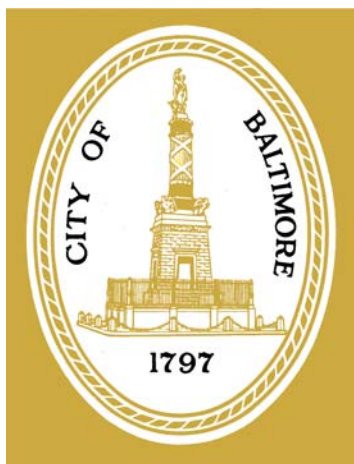
PERFORMANCE AUDIT REPORT

CITY OF BALTIMORE

DEPARTMENT OF TRANSPORTATION

RED LIGHT ENFORCEMENT REVENUE

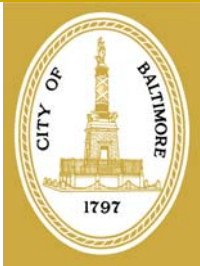
SEPTEMBER 2003



City of Baltimore
Department of Audits

CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor



DEPARTMENT OF AUDITS

YOVONDA D. BROOKS, CPA
City Auditor

Room 321, City Hall
Baltimore, Maryland 21202
Telephone: (410) 396-4783
Telefax: (410) 545-3961

September 8, 2003

Honorable Joan M. Pratt, Comptroller
And Other Members of the Board of Estimates
City of Baltimore

BACKGROUND:

This report conveys the results of our audit of the Department of Finance's and the Department of Transportation's internal control procedures related to the collection of fines for violation of the red light traffic law, enforced by the automated camera system in place at various City intersections. The automated camera system provides a remote means of enforcing the law through the identification and citation of violators of the law.

The automated system for red light violations was implemented during fiscal year 1999. Legislation passed by the State of Maryland authorizing such a system is contained in the Transportation Article of the Annotated Code of Maryland.

This system stores pictures and other data relating to vehicles entering a controlled intersection when the traffic light is red. When pictures and other data disclose that a traffic violation has occurred, a citation with a fine of \$75 is sent to the registered owner of the vehicle. This system is operated by a vendor who is compensated based upon the number of citations.

For the first 5,000 fully paid citations at \$75 each, the vendor receives \$27 per citation. For the next 2,500 paid citations, the vendor receives \$26 per citation. The fee paid to the vendor continues to decrease as the number of citations rises. The lowest fee paid during our period was \$24 per citation in excess of 10,000 but fewer than 15,000 in a month.

OBJECTIVES AND SCOPE:

The objectives of this audit were to determine if the procedures and controls established to identify and record the revenues from red light fines were adequate and performed efficiently and to determine whether payments to the vendor for operating the automated system were properly calculated and documented.

Our audit covered fiscal year 2002 and the first nine months of fiscal year 2003, a twenty-one month period. Total revenues recorded by the City for the period totaled \$11,423,000.

This audit was conducted in accordance with generally accepted *Government Auditing Standards* related to performance audits, issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary.

In conducting this audit, we:

- Documented our understanding of the system of internal controls over the administration of the automated red light violation program.
- Summarized all revenues from fines for red light violations during the twenty-one month period.
- Recomputed all payments to the vendor; this encompassed nineteen months of billings.
- Reviewed the adjustments made to the vendor's bills by the Department of Transportation.

AUDIT RESULTS:

As a result of our audit, we determined that revenues for the period reviewed were properly recorded and deposited in the City's bank account. However, our audit disclosed that payments to the vendor exceeded the maximum amount the vendor could have earned in relationship to the revenue that the City received for red light traffic violations.

Specifically, payments made to the vendor applicable to fiscal year 2002 revenues were 37.6% of these revenues, despite the fact that the maximum that the vendor could earn was 36%. This maximum payment is based on the highest fee allowed the vendor, which is \$27 for the first 5,000 citations paid in a month. The Department of Transportation made two reductions to vendor payments in the period covered by our audit. The first was for the fiscal year 2002, totaling \$91,548. This amount was approximately 5.8% of the vendor billings of \$1,569,282 for fiscal year 2002. The second reduction was for the first five months of fiscal year 2003, totaling \$18,963. This was approximately 1.5% of the vendor billings of \$1,225,244 for those months.

The vendor's bills were based on the number of citations reported as paid, but these numbers were not in agreement with the revenues from fines received by the City. Although the vendor billings were based on data sent to the vendor by the City,

adjustments for certain timing differences were needed to reconcile the City's and the vendor's records. We determined that the adjustments processed by the Department of Transportation were valid.

RECOMMENDATIONS:

We recommend that the Department of Transportation verify the accuracy of the billings from the vendor prior to payment. We further recommend that these reviews be done at least quarterly.


In order to facilitate this review, representatives of the Department of Transportation and the Mayor's Office of Information Technology should meet with the vendor to identify the reasons for differences in the citations paid per the City's records and those billed by the vendor on its monthly invoice. After evaluating the reasons for the differences, procedures should be developed to ensure that both the City's and the vendor's records are in agreement before the bills are processed for payment.

The Department of Transportation's response to our audit is included as an attachment to this report.

We appreciate the cooperation and assistance provided by staff members of the Collections Division of the Department of Finance's Bureau of Treasury Management, the Mayor's Office of Information Technology, and the Department of Transportation.

Respectfully submitted,

Yovonda D. Brooks, CPA
City Auditor

FROM	NAME & TITLE	Alfred H. Foxx, Director	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Department of Transportation 417 E. Fayette Street - Room 527		
	SUBJECT	RED LIGHT CAMERA PROGRAM		

DATE: September 4, 2003

TO

Ms. Yovonda D. Brooks, CPA
City Auditor
Department of Audits
Room 321, City Hall

This is in regard to your memo dated August 22, 2003 concerning the Red Light Camera Program.

Audit Results:

We have reviewed your audit report, specifically the issue of payments to the vendors. We note that you determined the adjustments processed by the Department of Transportation were valid.

Recommendations:

1. We note your recommendation that the Department of Transportation should review the vendor's billing at least on a quarterly basis.
 - Our current practice is to verify their billing against the revenue amount based on the Level 1 information. As you know the invoices submitted by ACS do not exactly match with the revenue received by the City, resulting in adjustments to their payments.
2. As stated in your recommendation, to identify reasons for differences in the citations paid per the City's records and those billed by the vendor on a monthly basis, we have taken the following action:
 - Discussed this issue with the representative of the Mayor's Office of Information Technology (MOIT).
 - Requested a recap sheet on a weekly basis, effective July, 2003.
3. After we get the data from MOIT, we will review the vendor's billings against this data and hopefully be able to reconcile the differences.
4. In the meantime, we are planning to meet with the representatives of the vendor to make sure that their billing is in line with the information they get from the City.

BALTIMORE BELIEVE
1-866-BELIEVE • www.baltimorebelieve.com

5. There could be still some differences as to Failed to Appear, Partial Payments, differences in number of days in the billing cycle, and such other things that may result in some differences yet. We hope it could be minimal.

Thanking you.

ALFRED H. FOXX
DIRECTOR

AHF: PM

cc: Mr. Mike Rice
Mr. Clement H. Ruley, Jr.
Mr. Fred Marc
Ms. Parvathy Murali